

THE KROGER CO.  
ANNUAL  
REPORT  
1949





THE RECORD  
OF THE  
CINCINNATI CHURCH

TO THE MEMBERS OF THE CHURCH  
AND TO THE FRIENDS OF THE  
CAUSE OF THE  
AFRICAN PEOPLE

IN THE  
MONTH OF  
JANUARY  
1852

BY  
THE  
PASTOR  
AND  
CONGREGATION

OF THE  
CINCINNATI CHURCH

OF THE  
METHODIST EPISCOPAL  
CHURCH

OF THE  
UNITED STATES

AND  
OF THE  
WESTERN  
METHODIST  
CHURCH

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UNITED STATES

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CHURCH

OF THE  
UNITED STATES



## OFFICERS

CHARLES M. ROBERTSON, *Chairman of the Board*

JOSEPH B. HALL, *President*

JOSEPH BAPPERT, *Vice-President*

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JOHN H. SADLER, *Secretary*

GEORGE W. ROSE, *Assistant Secretary*

SYDNEY G. WILSHIRE, *Assistant Secretary*

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Vice-President

JACOB E. DAVIS  
Vice-President

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Chairman of the Board, The Cincinnati  
Street Railway Company

CHARLES W. DUPUIS, *Cincinnati*  
Chairman of the Board,  
The Central Trust Company

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Proprietor, John J. Gilligan & Son

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Chairman of the Board

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JOHN H. SADLER  
Secretary

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Partner, Childs & Wood



## PRESIDENT'S LETTER

The Kroger Co. earned \$13,636,564, or \$7.42 per share in 1949. Earnings, before reserves, were \$6.43 per share in 1948 and \$6.59 per share in 1947. Management saw no necessity for establishing reserves in 1949. During 1949 the company paid dividends of \$3.50 per share.

Sales for the fifty-two week 1949 fiscal year were \$807,739,440, an average of \$15,533,451 per week. Average weekly sales during the fifty-three week 1948 fiscal year were \$15,578,647, for a total of \$825,668,323. During 1949, average weekly tonnage movement increased slightly over 1948 and price levels were generally somewhat lower.

Inventories at the year-end were \$64,380,938, including manufacturing inventory. Retail inventories were 23 days' supply, the same as in 1948. Continued emphasis will be placed on rapid turnover of inventory.

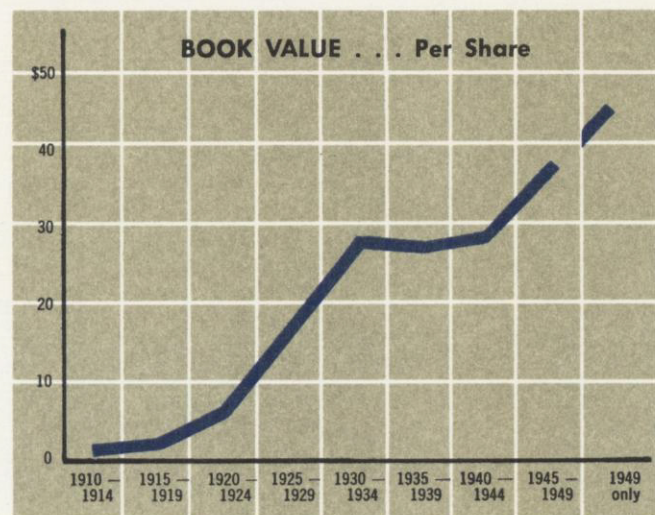
Our improved cash position enabled us to pay all bank loans prior to the close of 1949 operations.

Kroger opened one hundred and ninety-five new, relocated and remodeled stores in 1949 at a total expenditure for store leasehold improvements, fixtures and equipment of \$8,145,013. This stores improvement program will be continued in 1950.

Pictures of typical new Kroger store interiors appear in this report. The difference between these modern stores and the grocery store of ten years ago is strikingly illustrated by installation costs which are now approximately \$50,000 per store as compared to \$7,000 in 1939. This increase has been brought about not only by higher price levels, but also because today's stores are larger and better equipped, particularly as to refrigeration equipment.

Prior to the war, your company was able to pay out most of its earnings in dividends and still finance its stores improvement program. For the last several years, the accelerated program and higher installation costs have necessitated using a larger portion of earnings for this purpose. This reinvestment of retained earnings has enabled us to improve sales and current earnings and has increased the book value of Kroger stock from \$33.63 per share on December 28, 1946, to \$44.64 per share on December 31, 1949.

Warehouse additions were completed at Carbondale and Peoria, Illinois, and Roanoke, Virginia. The first is company owned, the latter two are leased. A new company owned warehouse at Madison, Wisconsin, was partially occupied in December and is scheduled for complete occupancy in February, 1950. A contract was executed in December for the construction of a





warehouse at Atlanta, Georgia. Capital expenditures for warehouse construction and equipment in 1949 were \$1,851,170.

Additions to and replacements for our fleet of trucks and trailers during 1949 cost \$898,079. Substantial operating savings are being accomplished with this equipment. Additional purchases of transportation equipment will be made in 1950. \$935,681 was expended during the year on replacement and modernization of our manufacturing facilities and \$205,687 on miscellaneous projects. In all, capital expenditures in 1949 were \$12,035,630. Depreciation and amortization totaled \$5,804,058.

The Employees' Retirement Program has been amended effective with the beginning of 1950. Rates per year of participating service have been increased from  $1\frac{1}{2}\%$  to  $\frac{3}{4}\%$  of average annual earnings under \$3,000 and from 1% to  $1\frac{1}{2}\%$  above \$3,000; service eligibility starts with age 25 instead of age 30; and the minimum retirement income has been increased from \$15 to \$30 per period, and the maximum from \$5,000 to \$10,000 per year.



From time to time in past years, the company has created reserves out of earnings to provide for future inventory losses due to price declines and for other contingencies. Certain of the contingencies for which reserves were established no longer exist. Declines in food prices may at any time result in inventory losses. When and if such losses occur we shall charge them to current income. Accordingly, in the opinion of management, it is no longer necessary

to segregate a portion of earnings as "Accumulated earnings appropriated for contingencies." Therefore, effective with the end of 1949, we are consolidating all "Accumulated earnings" into one account.

Chester F. Kroger, who was the son of B. H. Kroger, founder of our company, died in February, 1949. He served as a director for sixteen years. We shall miss his advice and counsel. His place on the Board of Directors has been taken by Jacob E. Davis, a Vice-President since 1944. No other changes in the company's senior management occurred during the year.

Forecasts of general business conditions for the coming year are favorable. Favorable business conditions usually mean a good year for Kroger. In any event, the Kroger team will do its utmost to make a good showing in 1950.

Respectfully submitted,

*Joseph B. Hall*

President

February 10, 1950



## THE MODERN KROGER SELF-SERVICE STORE



## THE NEW MADISON, WISCONSIN WAREHOUSE









# THE KRO

## CONSOLIDATED BALANCE

### ASSETS

Cash .....	\$ 20,300,337
Receivables .....	2,778,590
Inventories of merchandise, at lower of cost or market.....	64,380,938
Store and general supplies.....	2,457,294
Prepaid insurance, rent and taxes.....	<u>1,017,071</u>

TOTAL CURRENT ASSETS.....	90,934,230
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Investment in subsidiary insurance company not consolidated, at cost.....	1,776,361
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Stocks in other companies.....	93,932
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### FIXED ASSETS:

Land, at cost or less.....	\$ 1,488,900
Buildings, at cost or less.....	\$ 10,750,478
Machinery and equipment, at cost.....	<u>44,350,038</u>
	55,100,516

Less allowance for depreciation.....	<u>25,570,479</u>	<u>29,530,037</u>	<u>31,018,937</u>
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TOTAL ASSETS.....	\$ 123,823,460
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GER CO.

SHEET—DECEMBER 31, 1949

LIABILITIES

Accounts payable .....	\$ 19,517,393
Accrued expenses .....	8,262,343
Provision for Federal taxes, current and prior years.....	<u>11,747,515</u>
TOTAL CURRENT LIABILITIES.....	39,527,251
Employees' Benefit Fund.....	2,262,664

CAPITAL

Preferred capital stock, par \$100:

First preferred, 6%, 279 shares outstanding.....	\$ 27,900	
Second preferred, 7%, 174 shares outstanding.....	<u>17,400</u>	\$ 45,300

Common capital stock, without par value:

Authorized 3,000,000 shares

Outstanding 1,836,589 shares..... 33,671,735

Accumulated earnings .....	<u>48,316,510</u>	<u>82,033,545</u>
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TOTAL LIABILITIES & CAPITAL..... \$ 123,823,460



## CONSOLIDATED STATEMENT OF INCOME

Fiscal Years Ended December 31, 1949 and January 1, 1949

	1949 (52 weeks)	1948 (53 weeks)
Sales .....	\$ 807,739,440	\$ 825,668,323
Cost of sales.....	681,541,888	709,428,461
Operating and general expenses.....	103,270,988	96,499,142
Federal taxes on income.....	9,290,000	7,929,600
Total .....	<u>794,102,876</u>	<u>813,857,203</u>
Net income .....	\$ 13,636,564	\$ 11,811,120

## CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS

Fiscal Year Ended December 31, 1949

Accumulated earnings—January 2, 1949	
Unappropriated .....	\$ 31,932,833
Appropriated for contingencies.....	<u>9,178,092</u>
Total .....	41,110,925
Net income for 1949.....	\$ 13,636,564
Dividends declared—1949.....	<u>6,430,979</u>
Accumulated earnings—December 31, 1949.....	<u>7,205,585</u>
	\$ 48,316,510



# REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS,  
THE KROGER CO.  
CINCINNATI, OHIO

We have examined the consolidated balance sheet of The Kroger Co. and subsidiary company as of December 31, 1949, and the related consolidated statements of income and accumulated earnings for the fiscal year (fifty-two weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The investment in Manufacturers and Merchants Indemnity Company, an insurance company licensed under the laws of the State of Ohio, represents the entire preferred stock and 66 $\frac{2}{3}$ % of the common capital stock of that company, and is carried on the books at cost. At December 31, 1949, the company's equity in the net assets of the insurance company determined in accordance with the rules of the Commissioner of Insurance of the State of Ohio, amounted to \$1,606,484. Total assets of the insurance company, so determined amounted to \$6,306,404 consisting principally of cash, U. S. Government securities and other marketable securities aggregating \$5,589,302. Operations of the insurance company for the year 1949 resulted in a profit of \$34,646. No dividends were declared or paid by the insurance company during 1949.

In our opinion, the accompanying consolidated balance sheet and statements of income and accumulated earnings present fairly the consolidated financial position of The Kroger Co. and subsidiary company at December 31, 1949, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

LYBRAND, ROSS BROS. & MONTGOMERY

Certified Public Accountants

Cincinnati, Ohio  
February 10, 1950

## FINANCIAL AND OPERATING STATISTICS

	1949	1948	1947	1946	1945
SALES .....	\$807,739,440	\$825,668,323	\$754,282,085	\$573,760,884	\$457,332,640
NET INCOME					
Before Reserves .....	\$ 13,636,564	\$ 11,811,120	\$ 12,110,976	\$ 10,865,780	\$ 5,643,418
After Reserves .....	13,636,564	9,311,120	9,610,976	9,365,780	5,643,418
NET INCOME PER SHARE					
Before Reserves .....	\$7.42	\$6.43	\$6.59	\$5.91	\$3.07
After Reserves .....	7.42	5.07	5.23	5.10	3.07
DIVIDENDS PER SHARE.....	\$3.50	\$3.00	\$3.00	\$2.50	\$2.00
NUMBER OF SHAREHOLDERS.....	27,041	27,436	27,421	27,270	27,294
NUMBER OF STORES.....	2,190	2,349	2,516	2,611	2,730
NUMBER OF EMPLOYEES.....	26,161	24,969	23,953	22,349	19,389
CASH .....	\$ 20,300,337	\$ 19,745,290	\$ 20,611,352	\$ 14,584,867	\$ 19,737,033
MERCHANDISE INVENTORIES .....	64,380,938	63,956,574	64,710,122	63,025,926	42,867,852
NET WORKING CAPITAL.....	51,406,979	50,295,776	50,434,510	46,347,007	39,335,661
ACCUMULATED EARNINGS .....	\$ 48,316,510	\$ 41,110,925	\$ 34,807,927	\$ 28,086,875	\$ 21,814,086
NET WORTH .....	82,033,545	74,828,460	68,564,962	61,848,610	55,581,821
NET WORTH PER SHARE.....	\$44.64	\$40.72	\$37.29	\$33.63	\$30.21



Kroger

LIVE BETTER FOR LESS

